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SIPDIS

DEPT FOR SA A/S ROCCA AND SA/RA - L ROBINSON AND M BIXBY
DEPT ALSO FOR SA/INS, SA/PAB, OES/PCI, OES/ETC, AND INL
PLEASE PASS TO AID FOR ANE - J WILSON
BANGKOK FOR REO - T OSIUS

E.O. 12958: N/A

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SUBJECT: FY 02-03 SA BUREAU ESF FOR REGIONAL INITIATIVES

REFS: Bixby and Ekpuk e-mails to Embassy Kathmandu on ESF

INTRODUCTION

1. Regional Environment Office (REO) for South Asia, based at Embassy Kathmandu, would like to propose several projects for FY 02 and FY 03 funding via South Asia Bureau regional Economic Support Funds (ESF). While all of the proposals have an environmental dimension, they are cross-cutting, multi-purpose concepts that will contribute to regional stability, confidence-building, and support other important U.S. objectives in the region. REO would like to withdraw the FY 02 and 03 requests for USD 1 million per year for an integrated river basin management and flood forecasting proposal and substitute three new proposals. The total request for REO projects has been revised downward slightly for FY02, to USD 1.2 million, and sharply, to 1.3 million, for FY 03.

SUMMARY

2. Projects have been listed in priority order, with approximate amounts required for effective execution in each of the fiscal years 2002 and 2003. Projects with an asterisk are new proposals; others are ongoing initiatives requiring continued funding already submitted through the MPP and BPP processes.

Project	FY02	FY03
(1) USGS Bengal Basin Groundwater Arsenic Research	250,000	350,000
(2) Forests, People, Conflict and Insurgency*	250,000	150,000
(3) SA Transboundary Water Quality Monitoring Project	150,000	-
(4) Environmental Crime* Anti-Trafficking Enforcement	250,000	250,000
(5) Asian Water Quality Coalition*	100,000	250,000
(6) Regional Environmental Governance Initiative	200,000 -----	300,000 -----
TOTAL:	1,200,000	1,300,000

3. Thumbnail descriptions of the initiatives follow (complete project proposals to be furnished if needed):

USGS Bengal Basin Groundwater Arsenic Research

REO requests USD 250,000 in FY02 and 350,000 in FY03 to fund continued research by the U.S. Geological Survey into the causes of groundwater arsenic contamination in the Bengal Basin. This would complement, not/not duplicate or replace the separate request for bilateral ESF by Embassy Dhaka and our USAID mission to Bangladesh. (Note: The World Bank has USD 37 million left in a USD 40 million fund for arsenic research and mitigation in Bangladesh, but the results of this research are needed to be able to use the funds effectively.) Regional funds would be used to cover the cost of USGS participation in a multi-donor effort to research the extent of the problem in Nepal's Terai and investigate the mobilization pathways by which the arsenic makes its way into the groundwater. In addition, it would fund travel to India, especially West Bengal, for USGS consultations and collaborative research with responsible Indian officials and groundwater experts. (Coordination of research efforts between India and Bangladesh to date has been poor.)

Justification: Arsenic-contaminated groundwater has been called - accurately, in our view - the greatest natural disaster ever to strike mankind, affecting tens of millions of people in the Bengal basin, including Nepal's Terai. The problem is not limited to South Asia, as extensive contamination has been discovered in the countries of the Mekong region, as well as in the U.S. USGS has great credibility with all partners involved in the arsenic question and, by common consensus, has the greatest scientific capacity to address hydrogeological and geochemical issues that need to be resolved. Nepal offers several comparative advantages for extending research already underway:

-- The contaminated aquifers are much closer to the Himalayan source of the arsenic. The simpler hydrogeology (compared to the complicated stratigraphy of the Gangetic Delta) is more likely to yield early answers as to how the arsenic gets into groundwater.

-- The relatively recent and less extensive development of groundwater resources in Nepal offers an opportunity to study aquifers less influenced by human activities.

-- The concentrations of arsenic in Nepal are roughly equal to those found in parts of the U.S. The Terai, with its relatively stable population, is favorable to a study of the long-term effects of consumption of moderately contaminated water -- of great interest to U.S. health authorities studying cancer risk.

Forests, People, Conflict, and Insurgency

REO requests USD 250,000 in FY02 and USD 150,000 in FY03 for an initiative to counter the spread of regional insurgencies through a sustained effort to promote community-based natural resource management policies in forest areas of South Asia. The purpose is to identify specific socio-economic measures and policy changes that will prevent disadvantaged, disenfranchised and dispossessed societies and communities from becoming the perfect breeding ground for extremist ideologies and violent movements. Goals of the project are:

-- Reduce tensions and conflicts between people and the government agencies through participatory, socially acceptable and sustainable forestry/natural resources policies and regulations.

-- Give local people greater access and greater entitlement to forests and other natural resources, enabling them to raise their standard of living and discouraging them from extremist ideologies and activities.

-- Identify corruption in forestry management and find effective solutions to curb abuses.

Justification: Forests in Nepal, India Bangladesh, Bhutan and Sri Lanka and parts of Pakistan have turned into battlegrounds between government forces and insurgents. Ultra-left-wing "Naxalites" reportedly control an area two and half times the size of North Carolina in the dense forests of eastern India. During a recent meeting, Indian Naxalites and Nepalese Maoist groups agreed to form a South Asian Maoist Coalition in a forest corridor from western Nepal to the hinterlands of Andhra Pradesh in Southern India to facilitate their movements and operations. There is no one specific cause for the rise of such insurgencies in these areas. However, there is now a general understanding that such insurgencies have been fueled by the dispossession of people of their traditional rights and access to natural resources, arcane and socially unpopular forest policies, severe poverty, and the alienation of forest people from the political mainstream. People who traditionally depend on forests for their livelihood have joined the insurgents or are sympathetic to their cause. They often find it easier to deal with insurgent groups than with corrupt government officials. In many forest areas, insurgent groups are running parallel governments and issuing populist decrees, such as raising the price of forest products sold by local communities. Forests also function as the resource base of insurgent groups, which resort to lucrative trafficking in wildlife products, illegal timber felling and other illegal activities to finance their activities.

South Asia Transboundary Water Quality Monitoring Network

REO requests USD 150,000 for FY 2002 to complete Phase II of this initiative, which seeks to establish a

regional network for collecting and sharing water quality data of transboundary rivers South Asia. The main U.S. partner for execution is DOE's Sandia National Laboratories Cooperative Monitoring Center. In the current phase of the project, the focus is on using technology to complement ongoing and existing projects and activities of the partners in the network and supporting institutions to foster a common understanding of critical water issues and improve communication and data sharing within the region. The second phase of this project aims to:

- Broaden the partnership - include more strategic institutions in monitoring water quality in the region.

- Increase the number of parameters monitored and the geographic extent by enlarging the area of coverage (i.e., number of mutually agreed test sites).

- Strengthen the partnership by providing additional training and technological know-how.

- Institutionalize the partnership by creating a permanent framework for cooperation and data sharing.

- Move to the policy sphere. As the extent and severity of regional water quality problems emerge from these studies, we hope that the partners will be motivated to seek support from their governments for regional approaches to pollution mitigation.

Justification: South Asia is one of the most water-stressed areas of the world. Many sub-regions, including southern Pakistan, western and southern parts of India, and nearly all of Afghanistan, are already facing moderate to acute shortages of water scarcity, increasing the danger of social conflict and fragmentation within these societies. Compounding the problem is the fouling of existing supplies. Water quality in South Asia is degrading at a fast - and accelerating -- pace. Pollution of surface and ground water is caused by poorly planned and uncontrolled growth of industries, human settlements and agricultural runoff. Lack of adequate water data is hampering the ability of scientists in the region to understand the true extent of the problem and find effective solutions. Regional cooperation in this area can support sustainable development and, consequently, social, economic, and political stability - thereby contributing to the relaxation of regional tensions and reducing the risk of conflict. There is considerable potential for embedding this project in a larger regional approach to water quality issues funded by multilateral lenders and other major bilateral donors -- please see the section entitled "Asian Water Quality Coalition."

Environmental Crime Anti-Trafficking Enforcement Project

REO requests USD 250,000 in each of FYs 02 and 03 to support South Asian governments in strengthening their capacity to enforce Multilateral Environmental Agreements (MEAs). South Asia is in immediate need of assistance in implementing and enforcing MEAs, especially at the operational levels, i.e. intelligence-gathering, inter-agency coordination, detection of contraband and smuggling operations, prosecution of traffickers, and institutionalization of enforcement training. Expected outcomes of the project include:

- Increased knowledge about the status of MEA enforcement in South Asia and diagnosis of deficiencies, particularly in intelligence and investigative techniques.

- A strategic plan devised by South Asian governments to build their intelligence-gathering regarding various types of illegal trafficking, bolster MEA enforcement capacity and develop measures to control this illegal commerce.

- Enhanced regional capacity to detect illegal commerce under several MEAs and apprehend/prosecute traffickers, consistent with international obligations.

- Greater domestic and international coordination and cooperation among the various law enforcement agencies in South Asian countries charged with enforcing MEAs.

- Creation of an indigenous South Asian capacity to provide field-based MEA training modules to law enforcement officials.

Justification: Terrorism is a threat to democracy and civil society everywhere, and cutting off the sources of finance and support for terrorism is one of the highest priorities for the U.S. Typically, when South Asian insurgencies falter in their popular support, they link up with existing criminal networks to finance revolutionary activities through such varied illegal pursuits as drug

running, trafficking in women and children, smuggling of arms and ammunition, as well as illegal commerce in products covered under the convention on endangered species (CITES). More recently, the development of illicit markets for chemicals prohibited or regulated under the Montreal Protocol on ozone-depleting substances (ODS) have opened up another extraordinarily lucrative line of business for criminal smuggling syndicates. Reports indicate that profits from this criminal activity may be second only to the narcotics trade.

Asian Water Quality Coalition

REO requests USD 100,000 in FY02 and USD 250,000 in FY03 to support participation by USG scientific agencies, such as USGS and EPA, in a broad-based, multi-donor initiative to address water quality issues in South Asia. The funds would be used to pay for TDY travel for consultations and joint research by USG scientists in the region. We would welcome support from REO for Southeast Asia/Pacific (Bangkok) in soliciting additional support from EAP and/or OES for this proposal.

Justification: See the comments on the South Asia Water Quality Monitoring for background. The World Bank and other multilateral lenders, as well as international organizations such as UNICEF and WHO, have recognized the inefficiencies involved in designing country-specific programs for each of the many contaminants of concern (i.e., arsenic, fluoride, cadmium, other metals, fertilizers, organics such as pesticides, microbiological organisms, etc.) As a result, a coalition of donors and international agencies is now considering a broad initiative on water quality for the South and Southeast Asian regions. These entities frequently seek world-class expertise and consulting services from top-ranked USG scientific agencies, but are prevented by their charters or other technical reasons from funding USG activities. The purpose of this request is to ensure that the premier U.S. scientific capabilities can be employed effectively to support an international initiative to address critical South Asian water quality issues.

Regional Environmental Governance Initiative

REO requests USD 200,000 in fiscal year 2002 and USD 300,000 in FY 2003 to promote environmental good governance in South Asia. Small grants (not to exceed USD 25,000) will be provided, on a competitive basis, to local and national non-governmental organizations. The grants will help implement projects to:

- Enhance civil society's environmental knowledge base,
- Build local governments' capacity to integrate environmental considerations into development planning,
- Promote effective enforcement of environmental regulations at the local level,
- Strengthen local communities' ability to manage natural resources in an environmentally sound manner,
- Encourage local environmental advocacy and stewardship using democratic means.

Justification: One of the major causes for rapid environmental degradation in South Asia is the poor implementation of environmental rules and regulations and the insufficient ability of local governments to integrate environmental considerations into their development planning. The low level of environmental awareness of the rural population and the lack of effective civil society organizations to advocate and promote environmental conservation further aggravates this problem. There is an immediate need to strengthen environmental governance at the local level. While there is a growing effort by central governments to devolve more power and resources to the local level, there has been a lack of complementary efforts to assist local communities and governments to manage their natural resources in a sustainable manner. As a result, the natural resource base, the source of livelihood and sustenance of the mostly rural people of South Asia, is increasingly threatened.

14. The Regional Environment Office for South Asia hopes the above will be useful to the South Asia Bureau in setting priorities and planning for FY 02 and 03 regional Economic Support Funds.

MALINOWSKI